

453 The Joint State-Private Bank has
652 branches in Shanghai, Nanking, Hangchow
Tsingtao, and Amoy. Under the Shanghai branch
there are twenty-seven agencies within the
city. The functions of the Joint State-Private
Bank are (a) the handling of accounts of private
enterprises; (b) the extension of short-term
credits to private enterprises, subject to
approval by the People's Bank; (c) the handling
of overseas Chinese remittances and inland
remittances for the account of the Bank of
China through the branches of component banks
still operating in Hong Kong; (d) the acceptance
of savings deposits for the account of the People's
Bank.⁷

G. Credit Co-operatives

• 452 The credit co-operatives, the basic level
474 of the People's Bank in rural areas, are of three
types -- credit co-operatives, credit departments,
and mutual-aid teams.

The credit co-operative is a high-level
organization with members and a board of
directors; capital shares are subscribed by the
members, and these deposits become the
co-operatives's main financial source.

7. Ibid.

452 The credit departments of supply and
474 marketing co-operatives have neither separate membership nor independent capital. Their operating funds are derived from deposits and some special funds appropriated by the co-operatives concerned.

Credit mutual-aid teams are small, simple organizations. Developed from the traditional loan medium in rural areas, they consist of twenty to thirty farmers, each of whom subscribes an equal amount of capital to be used to help any member who may be in need of assistance. Credit is granted by the agreement of subscribers and is redeemed in installments.

In East China there were about 15,000 credit co-operatives (about 19 per cent of the total in the country) at the beginning of the fourth quarter of 1954. Of these, 6,083 co-operatives were in Shantung Province, 4,355 in Chekiang Province, 1,578 in Fukien Province, 1,566 in Kiangsu Province, and 1,481 in Anhwei Province. At the same time there were 41 credit departments in Kiangsu and 101 in Anhwei, and 7,689 mutual-aid teams in Anhwei, 5,179 in Fukien, 2,987 in Kiangsu, and 1,397 in Chekiang.⁸

8. Ta-kung Pao [Ta-kung Daily], Tientsin, Dec. 14, 1954.

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454 savings in the country at PB\$11,348 billion (about US\$ 453 million); the amount in East China at the end of February 1954, was PB\$1,310 billion (about US\$ 52 million), 8.6 per cent of the total. Rural savings were 38 per cent as against 62 per cent in urban areas, suggesting that there is a lack of surplus purchasing power in rural areas.¹¹

When the state grain monopoly was established in 1953, and the cotton monopoly in 1954, peasants were encouraged to deposit their sales proceeds with the People's Bank or with credit co-operatives. Interest rates of 18 per cent per annum for deposits under three months and 24 per cent for those over three months were offered, but these were reduced to 14.4 per cent for the former and 18 per cent for the latter.¹² Few savings were attracted by this policy, particularly in East China; of the proceeds of the 1954 harvest, only 5 per cent was deposited by the farmers of Kiangsu Province, which had been considered the richest province in the region.

B. Credit Control

452 After all private and foreign banks were, in effect, eliminated and all bank credit had been

11. Jen-min Jih-pao [People's Daily], Peking, Jan. 25, 1954, March 3, 1955; Ta-kung Daily, Feb 12, 1954.

12. People's Daily, Nov. 20, 1953.

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452 centralized under the control of the People's Bank, the bank extended its credit monopoly by eliminating commercial credit and supervising the use of credit. Credit purchases between public enterprises and between public and private enterprises were prohibited. Bank credit is granted only when the use to which the funds will be put is specified and no diversion of funds is allowed. The task of supervising credit is shared between the People's Bank and its affiliated banks, depending upon the nature of the enterprise concerned.

Interest rates favor public enterprises over private ones, and industrial enterprises over commercial ones. Interest charges to private industry are graduated according to the degree of government control of that industry (the more control, the lower the rate), and in the case of commercial enterprises the interest rate is lower for essential goods. Interest rates have been reduced since 1950, but in line with the Communist policy of eliminating private enterprise little reduction was granted to credits for private industry and commerce. The annual rates¹³ effective March 1955 are:

13. Ta-kung Daily, Feb. 24, 1955.

452	Public industry.....	5.58 per cent
●	Public commerce.....	8.28 per cent
	Private industry.. ...	10.80 - 19.80 per cent
	Private commerce ...	16.20 - 23.40 per cent

Rural credit is insufficient. Landlords and pawnshops, former credit sources, have been eliminated; over 200,000 villages need credit agencies, but a network of this sort has not been completed. During 1953, rural credit amounted to PB\$ 11,721 billion (less 10 per cent for state enterprises). Only 28 per cent of all villages had credit co-operatives, and the average credit granted was not over PB\$ 210,000,000 (about US\$ 8,400) per village; most of the funds were granted to producers' co-operatives and less than 30 per cent to individual peasants.¹⁴

There are three types of rural credit:

(1) one- to three-year production loans for machinery, plowing animals, irrigation works, small tools, and fertilizer; (2) short-term loans for public trading organizations and co-operatives to cover purchasing, transportation, and marketing expenses; and (3) relief loans with short maturity, mostly for immediate living expenses, extension of which is rare.

14, Ibid., Jan 6, 1954.